

**DEPARTMENT OF VETERANS' AFFAIRS  
RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2000**



## **AUDIT SUMMARY**

Our audit of the Department of Veterans' Affairs for the years ended June 30, 2000 and 1999 found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- internal control matters that we consider reportable conditions; however, we do not consider any of these to be material weaknesses; and
- no material instances of noncompliance required to be reported under Government Auditing Standards.

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April 10, 2001

The Honorable James S. Gilmore, III  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Virginia Department of Veterans' Affairs** for the years ended June 30, 2000 and 1999. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

#### Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations.

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

#### Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. The reportable conditions are described in the section titled "Internal Control Findings and Recommendations". We believe that none of the reportable conditions are material weaknesses.

The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia, and is a public record.

#### EXIT CONFERENCE

We discussed this report with management at an exit conference held on April 12, 2001.

AUDITOR OF PUBLIC ACCOUNTS

JLG:twh  
twh:20

## INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

### Properly Administer the Small Purchase Charge Card Program

The Department does not properly administer its small purchase charge card program. Accounting does not keep adequate documentation and support for card purchases and cardholders do not adequately review monthly statements to ensure that charges are proper and accurate. During our review of eight monthly charge card statements, we found the following problems:

- All eight monthly statements had exceptions with not keeping receipts, invoices, etc. as supporting documentation for monthly charges. For approximately 84 percent of the purchases, receipts, packing slips, invoices, etc. were not included as supporting documentation for the month's charges. In addition, there were six instances in which the cardholder's purchasing log was not included as support for the monthly bill.
- seventeen instances in which there was no documentation of the cardholders' review of the monthly statements and four instances where the cardholder monthly statement was not included in the supporting documentation.

The Department should re-examine its small purchase card program and strengthen controls to address the problems addressed above. The Department should train all cardholders to ensure that they understand their responsibility to review monthly statements and verify all charges are proper and accurate. Additionally, the Department should ensure that it obtains and keeps all supporting documentation for monthly purchases in a central location.

### Strengthen Equipment Inventory Procedures

The Department does not properly record all equipment changes in its fixed asset system. In our sample of 18 items, we found the following problems.

- We could not locate four items recorded in the fixed asset system. The Department indicated they had surplused the items, but could not provide documentation to support the disposal.
- We found 10 items at locations different than the location recorded in the fixed asset system.
- The Department could not provide documentation of management approval for two employees to use Department computers at home.
- The Department failed to record one item acquired over a year ago.
- One item had an incorrect tag number.

The Department should review its controls for recording and updating equipment, and require its fixed asset coordinator to record all acquisitions and changes accurately and promptly. In addition, the Department should perform periodic inventories to ensure that its equipment listing is accurate and complete.

## FINANCIAL HIGHLIGHTS

The Department of Veterans' Affairs assists veterans and their families with handling applications for compensation, pensions, education, patient service, guaranteed loans, discharge reviews, Social Security hearings, retirement and burial benefits, and legal claims. The Department also represents clients in hearings at the United States Veterans Administration Regional Office in Roanoke and in appeals at the Board of Veterans' Appeals in Washington D.C. The Department disseminates benefits entitlement information to veterans and their families by providing outreach services at approximately 70 locations throughout the Commonwealth and assists veterans in hospitals and nursing homes.

The Virginia War Orphans Education program provides educational assistance to children, or surviving children of certain veterans. The Department receives applications and certifies student eligibility for a waiver of tuition and certain fees at Virginia's state supported higher education institutions under the provisions of the program.

The Department also has oversight for the operation of the Virginia Veterans Cemetery in Amelia, Virginia. Daily cemetery activities involve coordinating interment services and burials, grounds, building and equipment maintenance, processing burial and federal plot allowance applications, and recording burials.

The Department received general fund appropriation of \$2,799,622 in fiscal year 2000 and \$2,695,309 in fiscal year 1999. The Department had \$16,776 in fiscal year 2000 and \$4,775 in fiscal year 1999 of unused general fund appropriations subject to reappropriation in the next fiscal year. The Department spent \$2,294,600 or 82 percent of the operating budget for salaries, wages, and fringe benefits for the 2000 fiscal year and \$2,184,226 or 81 percent for fiscal year 1999.

DEPARTMENT OF VETERANS' AFFAIRS  
Roanoke, Virginia

Theodore J. Mortensen, Director



